

Message Text

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POUCHED INFO ALL CANADIAN CONGENS

E.O. 11652: N/A

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SUBJ: BEAUFORT SEA CONSULTATIONS

SUMMARY: US AND CANADIAN GOVERNMENT OFFICIALS MET ON MARCH 3, 1976 TO DISCUSS PENDING CONFIRMATION BY GOC OF CANADIAN DECISION IN PRINCIPLE TO ISSUE PERMITS TO DOME PETROLEUM TO BEGIN DRILLING OPERATIONS IN BEAUFORT SEA THIS SUMMER. US EMPHASIZED IT DID NOT CONSIDER NEED FOR CONSULTATIONS AS HAVING BEEN FULFILLED NOR DID MEETING CONSTITUTE US ACQUIESCENCE IN ANY CANADIAN DECISION. IT WAS AGREED THAT GOC WOULD PROVIDE ASAP ALL RELEVANT DOCUMENTS FOR US STUDY AND THAT FURTHER DISCUSSIONS WOULD PROCEED ASAP CONCERNING LIABILITY COMPENSATION, DRILLING PLAN CONDITIONS, CONTINGENCY PLANNING, AS WELL AS OVERALL CONSULTATIONS ONCE US SIDE HAD OPPORTUNITY STUDY RELEVANT MATERIAL. GOC SIDE STRESSED ESSENTIALITY OF CABINET DECISION WHETHER POSITIVE OR NEGATIVE IN MARCH. END SUMMARY

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1. GOC GROUP HEADED BY EXTAFI ASSISTANT UNDER-SECRETARY

PETER TOWE, ENVIRONMENT CANADA DEPUTY MINISTER BLAIR SEABORN, INDIAN AND NORTHERN DEVELOPMENT DEPUTY MINISTER ARTHUR KROEGER, AND INCLUDED NUMBER OF OTHER OFFICIALS FROM THESE MINISTRIES PLUS ONE FROM ENERGY, MINES AND RESOURCES. GOC OPENED MEETING BY EXPRESSING SINCERE REGRET FOR FAILURE TO CONSULT ON MATTER WHICH COULD CAUSE ENVIRONMENTAL DAMAGE TO US. IN MITIGATION, THEY OBSERVED THAT DESPITE LACK FORMAL NOTIFICATION TO USG, ACTIVITIES IN BEAUFORT SEA HAD BEEN PUBLIC KNOWLEDGE FOR SOME TIME. THEY NOTED THAT CABINET MUST TAKE DECISION IN MARCH GIVEN TIME REQUIRED FOR MOUNTING DRILLING OPERATIONS THIS SUMMER. THEY REFERRED TO DELICACY OF FINANCIAL AND CONCESSIONAL POSITION OF DOME PETROLEUM WHICH WILL BE CRUCIALLY AFFECTED BY WHETHER OR NOT DRILLING TAKES PLACE THIS YEAR.

2. GOC THEN OUTLINED BACKGROUND TO BEAUFORT SEA DRILLING OPERATIONS AND POINTED OUT VERY LARGE (DOLLARS 120 MILLION) DOME PETROLEUM INVESTMENT ALREADY IN PROJECT. GOC CONFIRMED THAT IF BLOWOUT WOULD OCCUR, IT COULD TAKE UP TO A YEAR TO CONTROL BUT IT ALSO POINTED OUT THAT DAMAGE WOULD NOT BE IRRETRIEVABLE.

3. US SIDE EMPHASIZED THAT VERY LITTLE INFORMATION HAD BEEN MADE AVAILABLE TO IT BUT THAT THE MOST IMPORTANT UNDERLYING FACTOR IN THE ENTIRE ISSUE WAS THE COMMON INTEREST OF BOTH GOVERNMENTS 1) IN PRESERVING THE ENVIRONMENT, 2) IN THE DEVELOPMENT OF HYDROCARBONS IN THE ARCTIC AND 3) IN REALIZING THAT AN ENVIRONMENTAL DISASTER IN BEAUFORT SEA COULD HAVE IMPORTANT ADVERSE EFFECTS ON ENERGY DEVELOPMENT PROGRAMS OF BOTH THE US AND CANADA. US EMPHASIZED THE NEED FOR ADVANCED CONSULTATIONS AND CITED THE OECD COUNCIL DECLARATION REGARDING THE PRINCIPLE OF INFORMATION AND CONSULTING ON POSSIBLE TRANSFRONTIER POLLUTION. US ALSO MENTIONED US TIMETABLES FOR EXPLORATION AND DEVELOPMENT OFF ALASKA, REQUESTED DATA ON FUTURE CANADIAN PLANS IN THE BEAUFORT SEA AND OUTLINED PRACTICAL LEGAL QUESTIONS: 1) WHAT STEPS THE GOC HAD TAKEN TO HANDLE THE PROBLEMS OF LIABILITY; 2) REMEDIES AVAILABLE TO US CITIZENS FOR DAMAGES; 3) WHAT FUNDS WOULD BE AVAILABLE LIMITED OFFICIAL USE

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TO US CITIZENS FOR REMEDY, AND 4) THAT THE US WOULD HOLD CANADA RESPONSIBLE FOR ANY DAMAGES TO THE US, INCLUDING ANY CLEAN-UP COSTS.

4. THE US TAPS LEGISLATION WAS CITED AS AN EXAMPLE OF HOW THE US HAS HANDLED A SIMILAR PROBLEM AND US ENVIRONMENTAL IMPACT STATEMENT REQUIREMENTS WERE CITED AS EVIDENCE OF US CONFORMANCE WITH OECD PRINCIPLES.

5. AFTER DISCUSSION OF ENVIRONMENTAL PROBLEMS AND THE NEED FOR PREVENTATIVE ENVIRONMENTAL MEASURES ALONG WITH DEVELOPMENT OF CLEAN-UP PROCEDURES, THE US EMPHASIZED NEED FOR ADEQUATE TIME TO STUDY ALL BACKGROUND REPORTS. IT ALSO EMPHASIZED THAT US WOULD FULFILL ITS OBLIGATIONS TO STUDY THOSE REPORTS, AFTER THEIR RECEIPT, AS RAPIDLY AS POSSIBLE (PERHAPS AS SOON AS A MONTH) SO THAT MEANINGFUL CONSULTATIONS COULD BEGIN AS SOON AS POSSIBLE THEREAFTER. HOWEVER, US SIDE EMPHASIZED TWO POINTS; 1) THAS CURRENT DISCUSSIONS COULD NOT RPT NOT BE CONSTRUED AS CONSTITUTING "CONSULTATION", AND 2) THAT US GROUPS PRESENCE IN OTTAWA DID NOT RPT NOT INDICATE IN ANY WAY THAT US "ACQUIESCED" IN ANY CANADIAN DECISION.

6. THE CANADIAN SIDE EMPHASIZED THAT THERE WERE SEVERE TIME RESTRAINTS AND THAT THE CABINET WOULD THIS MONTH MEET TO CONSIDER ALL ASPECTS OF THE DECISION, AMONG WHICH US VIEWS WOULD REPRESENT IMPORTANT FACTOR. BEFORE TAKING POSITIVE DECISION, MINISTERS WOULD WANT TO BE SATISFIED THAT THE PROJECT SHOULD GO AHEAD HAVING CONSIDERED ALL FACTORS, AND DECISION COULD BE NEGATIVE. CANADIANS FELT THAT A COMMON GROUND COULD BE FOUND REGARDING LIABILITIES AND INTERNATIONAL OBLIGATIONS. DOME DID HAVE A DOLLARS 10 MILLION INSURANCE POLICY AND EFFORTS WERE BEING MADE TO INCREASE ITS SIZE CONSIDERABLY, AT LEAST TO DOLLARS 50 MILLION.

7. THE MEETING CONCLUDED WITH GENERAL CONCURRENCE ON FOUR POINTS: 1) THAT THE TWO SIDES WOULD GET TOGETHER TO EXPLORE THE QUESTION OF LEGAL LIABILITY; 2) THAT THE TWO SIDES WOULD DISCUSS JOINT CONTINGENCY PLANS; 3) THAT THE DEPARTMENT OF INTERIOR WOULD COMMUNICATE WITH LIMITED OFFICIAL USE

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AN APPROPRIATE COUNTERPART IN THE CANADIAN GOVERNMENT REGARDING THE OVERALL CONDITIONS/STIPULATIONS TO BE ATTACHED TO DRILLING OPERATION LICENSES; 4) THAT THE TWO PARTIES WOULD CONSULT AS SOON AS POSSIBLE AFTER US RECEIPT AND STUDY OF TECHNICAL REPORTS.

8. COMMENT: WHILE RECENT EXCHANGES ON SUBJECT HAVE SUGGESTED THAT THE GOVERNMENT OF CANADA ACTUALLY WOULD SIMPLY CONFIRM THE DECISION IN PRINCIPLE, GOC SIDE LEFT IMPRESSION THAT PERHAPS THIS CONFIRMATION WAS NOT AS CERTAIN AS ORIGINALLY ESTIMATED. THIS, HOWEVER, MAY HAVE BEEN TACTICAL MOVE, CERTAINLY MANY PRESSURES REMAIN ON THE GOC TO PROCEED SINCE MUCH MONEY HAS BEEN SPENT BY DOME, DOME'S FINANCING PROSPECTS AND CONCESSION ARRANGEMENTS WITH

OTHER COMPANIES HINGE ON DRILLING THIS SUMMER, AND
SINCE MANY TIME CONSTRAINTS EXIST. THERE IS AT LEAST
POSSIBILITY THAT DOME COULD HAVE CASE FOR LITIGATION IF GOC
DECISION NEGATIVE. FURTHER PRESSURE ON GOC STEMS FROM
DESIRE TO ESTABLISH INVENTORY OF CANADA'S NATURAL RESOURCES
OF WHICH BEAUFORT SEA COULD PROVIDE SIGNIFICANT
POSITION (ONE GOC OFFICIAL CITED EVIDENCE
INDICATING THAT BEAUFORT AREA MAY CONTAIN AS MUCH OIL
AND TWICE AS MUCH GAS AS PROVED TO DATE IN ALL REST
OF CANADA). WHATEVER DECISION GOC TAKES, THE US
POSITION HAS BEEN CLEARLY STATED AND THERE SHOULD
BE NO DOUBT IN CANADA'S MIND REGARDING THE IMPLICATIONS
SHOULD IT CHOOSE TO GO AHEAD PRIOR TO FULL CONSULTATIONS.
ENDERS

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